

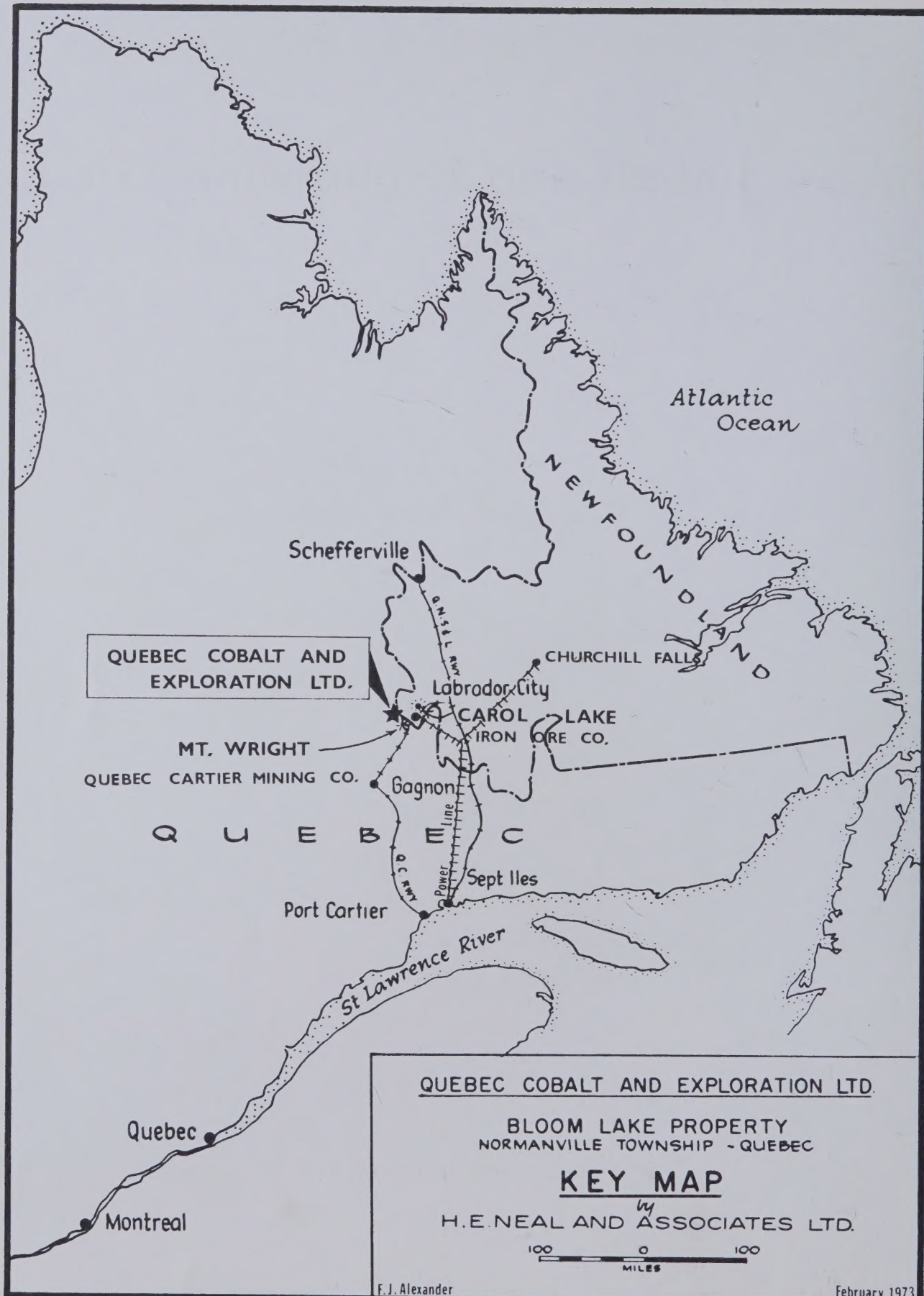
Quebec Cobalt and Exploration Limited

(No Personal Liability)

Twenty-second Annual Report



For the Year Ended December 31, 1973.



QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Head Office: Suite 300,
600 Dorchester Blvd. W.,
Montreal 101, Quebec.

Executive Office: Suite 306,
67 Yonge Street,
Toronto, Ontario M5E 1J8

CAPITAL

Authorized: 3,500,000 shares \$1.00 Par Value

OFFICERS

ROBERT D. HOFFMAN - -	<i>President</i>
GEOFFREY P. MITCHELL -	<i>Vice-President</i>
B. A. ORR - - - - -	<i>Vice-President</i>
B. A. ORR - - - - -	<i>Secretary-Treasurer</i>

DIRECTORS

ROBERT D. HOFFMAN - -	New York
GEOFFREY P. MITCHELL -	Toronto
B. A. ORR - - - - -	Toronto
L. B. NORRIE - - - - -	New York
H. W. BAIRD - - - - -	Toronto

TRANSFER AGENTS AND REGISTRARS

THE PREMIER TRUST COMPANY
19 Richmond St. West, Toronto, Ontario

GUARDIAN TRUST COMPANY
618 St. James Street, Montreal, Quebec

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Directors' Report to Shareholders

MONTREAL, Quebec
March 20th, 1974

TO THE SHAREHOLDERS:

Your Directors herewith submit a report of Operations and the Financial Statements of the Company for the fiscal year ended December 31, 1973, together with the Auditors' Report to Shareholders.

IRON PROPERTIES, MT. WRIGHT, QUEBEC

We are glad to say that our efforts to interest a steel company in our iron properties at Mt. Wright have been successful. On August 13th last we sent to the shareholders a release dated August 10, 1973 by Republic Steel Corporation:

"Republic Steel Corporation has acquired an option to enter into a long-term mining lease of iron ore property in Canada.

The property includes more than 10,000 acres held by Quebec Cobalt and Exploration Limited, and is located in Normanville Township, Saguenay County, Quebec.

A spokesman for Republic said the option represents 'another step forward in the company's continuing efforts to maintain an adequate reserve of raw materials to meet long-range requirements'.

Republic recently announced plans to open a new metallurgical coal mine near Clarksburg, West Virginia.

Preliminary explorations at the property in Canada indicate the presence of sizable deposits of iron ore capable of beneficiation into high-grade pellets, the spokesman said."

The Option for this lease was signed on July 5th 1973 and immediately Republic Steel Corporation sent a party into Quebec to acquire ground for tailing disposal. They were quite successful and staked a total of 139 claims, approximately 5,600 acres for this purpose, tying on to the west end of our property and connecting with our claims at the Boulder Lake area some 2-1/2 miles to the west. The claims were staked in order to accommodate tailings and stripping waste which could be expected in a large open pit mining operation. Taking care of tailings and stripping is of paramount importance and we are pleased to state that Republic Steel Corporation has taken the first step toward the successful exploitation of our property. In addition, Republic Steel Corporation had an aerial map made of the entire area including the new stakings and we now understand that they are planning further work in the coming field season.

OTHER PROPERTIES

Ontario

Union Miniere Explorations and Mining Corporation Limited (Umex) is carrying on considerable work on their property adjoining our Kapkichi Nickel Mines Limited property, which they purchased in May 1972.

GENERAL

As of March 15th 1974, the Company has \$180,000 in cash, an increase of \$66,000 above the \$114,000 stated in our December 31, 1972 Balance Sheet. The market value of shareholdings is carried by the auditors at \$430,000 at December 31, 1973 compared with \$327,000 December 31, 1972, an increase of \$103,000.

The cash income from investments during the past year exceeded expenditures to maintain the Company's property and running expenses. It is expected that a modest amount of outside exploration will be done during the current year.

The Company would like to extend its thanks to Mr. H. E. Neal and his associate, Mr. Fred J. Alexander, who took charge of both the staking and aerial operations for Republic Steel Corporation in 1973 and carried them out most successfully and expeditiously.

On behalf of the Board,

ROBERT D. HOFFMAN,
President.

QUEBEC COBALT AND

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Balance Sheet (with comparative fi

ASSETS

	1973	1972
CURRENT ASSETS		
Cash and term bank deposits	\$ 128,965	\$ 113,304
Accounts receivable	15,175	1,039
	<u>144,140</u>	<u>114,343</u>
INVESTMENT IN SUBSIDIARY COMPANY,		
Company Operators Inc. (note 2)		<u>500</u>
SECURITIES		
Quoted shares and trust units, at cost less provision for decline in market value (quoted market value, 1973, \$430,488; 1972, \$327,032)	332,226	332,110
Investment in effectively controlled companies (note 3)	213,149	211,719
	<u>545,375</u>	<u>543,829</u>
MINING CLAIMS		
Interest in mining claims in the Mount Wright area, Quebec held under development licences, acquired for 1,000,000 shares of the company's capital stock issued at 3 cents per share and \$1,001 cash (note 4)	31,001	31,001
	<u>\$ 720,516</u>	<u>\$ 689,673</u>

AUDIT

To the Shareholders of
Quebec Cobalt and Exploration Limited

We have examined the balance sheet of Quebec Cobalt and Exploration Limited (No Personal Liability) as at December 31, 1973 and the statements of income, deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

EXPLORATION LIMITED

Liability)
the laws of Quebec

December 31, 1973

at December 31, 1972)

LIABILITIES

	1973	1972
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 35,421	\$ 24,579
Portion of accrued pension liability due within one year	5,000	
	<u>40,421</u>	<u>24,579</u>
ACCRUED PENSION LIABILITY, non-current portion (note 5)	<u>115,616</u>	<u>125,200</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized and issued—3,500,000 shares of \$1 each	3,500,000	3,500,000
Less discount on shares	<u>2,916,496</u>	<u>2,916,496</u>
	583,504	583,504
DEFICIT	<u>19,025</u>	<u>43,610</u>
	<u>564,479</u>	<u>539,894</u>
	<u>\$ 720,516</u>	<u>\$ 689,673</u>

Approved by the Board

ROBERT D. HOFFMAN, Director

B. A. ORR, Director

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles which except for the change in accounting for effectively controlled companies as outlined in note 1, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 10, 1974

THORNE GUNN & CO.
Chartered Accountants

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Statement of Income

Year ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
REVENUE		
Dividends and royalties received	\$ 71,828	\$ 40,440
Interest earned	7,463	1,888
	<u>79,291</u>	<u>42,328</u>
EXPENSES		
EXPLORATION		
Consultants' fees and expenses	18,053	50,694
Diamond drilling		146,883
Licences and taxes	2,310	2,007
Travelling and other prospecting expenses	11,319	(227)
Assaying		2,946
Geophysical survey		7,970
Wages and camp operating expenses		15,585
Air transportation		300
	<u>31,682</u>	<u>226,158</u>
ADMINISTRATIVE AND GENERAL		
Office services	7,650	7,750
Shareholders' reports and meetings	2,757	1,577
Directors' fees and expenses	1,526	800
Share transfer expenses	1,096	772
Audit	2,000	1,600
Executive salaries	7,900	6,700
Provision for pension costs		9,400
Capital and place of business taxes	141	115
Other administrative and general expenses	(140)	(573)
	<u>22,930</u>	<u>28,141</u>
	<u>54,612</u>	<u>254,299</u>
Income (loss) before undernoted items	24,679	(211,971)
Equity in earnings of effectively controlled companies	1,430	
Income (loss) before income taxes and extraordinary item	26,109	(211,971)
Income taxes (note 6)	1,640	2,242
Income (loss) before extraordinary items	<u>24,469</u>	<u>(214,213)</u>
Extraordinary items		
Profit on sale of securities	116	176,577
Provision for decline in market value of quoted shares		(34,000)
Provision for loss on sale of investment in subsidiary company		(10,990)
	<u>116</u>	<u>131,587</u>
Net income (loss) for the year	<u>\$ 24,585</u>	<u>\$ (82,626)</u>

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Statement of Deficit

Year ended December 31, 1973
(with comparative figures for 1972)

	<u>1973</u>	<u>1972</u>
Retained earnings (deficit) at beginning of year	\$ (43,610)	\$ 39,016
Net income (loss) for the year	<u>24,585</u>	<u>(82,626)</u>
Deficit at end of year	<u>\$ 19,025</u>	<u>\$ 43,610</u>

Statement of Source and Application of Funds

Year ended December 31, 1973
(with comparative figures for 1972)

	<u>1973</u>	<u>1972</u>
SOURCE OF FUNDS		
OPERATIONS		
Income before extraordinary item	\$ 24,469	
Deduct equity in earnings of effectively controlled companies which does not involve current funds	<u>1,430</u>	
	23,039	
Proceeds on sale of securities	500	\$316,937
Reduction in advance to subsidiary company		<u>121</u>
	<u>23,539</u>	<u>317,058</u>
APPLICATION OF FUNDS		
Loss before extraordinary items		214,213
Deduct provision for pension costs not requiring current outlay of funds		<u>9,400</u>
Decrease in non-current portion of accrued pension liability	<u>9,584</u>	
	<u>9,584</u>	<u>204,813</u>
Increase in working capital position	13,955	112,245
Working capital (deficiency) at beginning of year	<u>89,764</u>	<u>(22,481)</u>
Working capital at end of year	<u>\$103,719</u>	<u>\$ 89,764</u>

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Notes to Financial Statements

December 31, 1973

1. CHANGE IN ACCOUNTING PRACTICE

Commencing January 1, 1973 the company changed its method of accounting for its investment in its effectively controlled companies from the cost basis to a basis whereby the company's share of earnings of the effectively controlled companies is reflected in income. A corresponding adjustment is made to the value at which the investment is carried in the balance sheet. This change which was not applied retroactively has no material effect on these financial statements.

2. INVESTMENT IN SUBSIDIARY COMPANY

The 1972 financial statements issued to the shareholders included the accounts of the company and its wholly-owned subsidiary company.

During the year, the subsidiary company was sold for \$500 cash, being its net book value at December 31, 1972.

3. INVESTMENT IN EFFECTIVELY CONTROLLED COMPANIES

	<u>1973</u>	<u>1972</u>
Delahey Consolidated Nickel Mines Limited		
232,618 shares, at cost	\$ 41,387	\$ 41,387
Equity in 1973 earnings	1,430	
	<u>42,817</u>	<u>41,387</u>
Frood Deep Nickel Mines Limited		
358,642 shares, at cost (no earnings in 1973)	170,331	170,331
Kapkichi Nickel Mines Limited		
571,327 shares, at nominal value	1	1
	<u>\$213,149</u>	<u>\$211,719</u>

Investments in effectively controlled companies are carried on the equity basis as outlined in note 1 with the exception of Kapkichi Nickel Mines Limited which is carried at a nominal value.

4. MINING CLAIMS

Under a letter of agreement dated July 5, 1973, the company has granted a one year option to lease its mining claims in the Mount Wright area, Province of Quebec on a long term basis to another mining company which will provide to Quebec Cobalt and Exploration Limited a royalty on each ton of shipping product mined from the leased property. If this option is exercised, the cost of exploration work expended by the other mining company during the option period will be applied against lease payments.

5. PENSION COSTS

The company has agreed to pay pensions to certain employees upon their retirement. The pension cost related to past services of employees has been fully provided for at December 31, 1973.

6. INCOME TAXES

The provision for income taxes represents U.S. withholding tax on dividends and royalties.

Exploration and development expenses available for tax purposes have been applied to eliminate an income tax provision of approximately \$27,000. The company has approximately \$319,000 of exploration and development expenses remaining to be claimed for tax purposes in future years.

